

Minutes of the Special Called Business Meeting of the  
Board of Mayor and Aldermen of the City of Kingsport, Tennessee  
Tuesday, May 3, 2010, 2:00 PM  
Council Room – City Hall

PRESENT:

Board of Mayor and Aldermen

Mayor Dennis R. Phillips, Presiding

Alderman Valerie Joh

Vice-Mayor Benjamin K. Mallicote

Alderman Charles K. Marsh, Jr.

Alderman Larry A. Munsey

Alderman Tom C. Parham

Alderman Jantry Shupe

City Administration

John G. Campbell, City Manager

J. Michael Billingsley, City Attorney

James H. Demming, City Recorder

- I. **CALL TO ORDER:** 2:05 p.m., by Mayor Dennis R. Phillips.
- II. **ROLL CALL:** By Deputy City Recorder Liz Gilbert. Alderman Parham arrived shortly after roll call.

**III. PUBLIC SAFETY BRIDGE/TCRS (TENNESSEE CONSOLIDATED RETIREMENT SYSTEM) RESOLUTIONS.** Mayor Phillips explained the reason for calling this meeting and City Manager Campbell expounded further, describing issues that would be covered and revisited various components discussed at previous meetings. He stated that the Board could choose to vote to implement the supplemental bridge component for public safety employees' retirement and fund by holding those employees' 2% step increase this year and .05% in subsequent years. Doing so would come very close to covering the initial cost predicted through the first two years. Regarding these decisions, City Attorney Billingsley had prepared two resolutions: the first one speaking to the implementation of the bridge supplemental benefit and the second one adopting the procedure and policy required to reduce the increase in those employees future pay increases to offset the cost of the benefit.

Another decision to be considered was whether, all employees hired after July 1, 2010 would be subject to a 5% contributory retirement system, no matter whether Board member voted to stay with TCRS or implement a new defined contribution system. City Attorney Billingsley had also prepared resolutions to address these considerations.

It was further defined that, should the Board vote to continue with TCRS and agree to the contributory option, TCRS requires a three-month notice to do so, making October 1, 2010 the effective date for any employees hired after July 1<sup>st</sup> to be contributory.

Extensive Board discussion followed about deciding the right path forward for the most cost efficient, long-term solution, including the need for the 5% contributory system, staying or withdrawing from TCRS, cost effectiveness and need for implementing the

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bridge benefit, alternatives of defined contribution plan outside of TCRS, going to a defined benefit plan, designing a bridge benefit apart of TCRS and the amount of costs and savings of each over the long-term.

Alderman Munsey opined that, as chair of the Audit committee who has looked at these scenarios in depth, the right thing to do for the long-term is to proceed with the defined contribution plan outside of TCRS. He recollected that going to a defined contribution versus staying in TCRS exacted a savings of around \$1.2 to \$1.3 million after 5 to 10 years. Alderman Marsh agreed, adding that it avoids leaving an unmanageable situation for successive City leader while reminding the others that TCRS rates have gone from 7% to 17% and nothing in the future indicates those rates will be coming down. City Manager Campbell also agreed that the unpredictability of TCRS rates is scary, especially when looking at the school system budget this year; 60% of the school budget gap is attributable to their retirement system because teachers' retirement benefits are mandated and controlled at the state level. He confirmed, when asked by Alderman Parham, that a defined contribution plan would provide more known costs.

Vice-Mayor Mallicote passed out a graph he'd prepared reflecting the City's contribution rates in TCRS from 1989 to date, going from 3.35% to nearly 17%. He suggested budgeting an annual percentage, 11% for example, as an average retirement compensation rate and being disciplined, as a Board, to retain this amount which, along with contributory amounts, would fund retirement. Should TCRS rates decrease, the City would continue to set aside 11% (or any other percentage agreed to and established by ordinance), paying whatever rate TCRS required and investing the balance, if any, to be used should rates increase once again to a rate higher than that set. He believes this is the only way staying with TCRS is viable.

Dialogue then ensued about the need to pass any action to reverse the previous decision to withdraw from TCRS by a two-thirds vote, how no vote at all would automatically result in completion of the withdrawal and whether retirement decisions made today would impact the current employees. Under a defined benefit plan, the City bears the risk and under a defined contribution plan, the employee bears the risk.

Alderman Munsey clarified and offered his opinion on the issues at hand and how to best address. He stated that, first, Board members needed to know if public safety employees were willing to pay for the bridge to consider that option. If they are willing to use step increases to pay for the benefit, the Board needs to consider that option as well as staying in TCRS before July 1<sup>st</sup>. If those employees are not willing to pay, an interim step could be to go to a 5% contributory system, stay in TCRS and leave open the bridge benefit decision to be made in the future.

At Mayor Phillips' request, City Manager Campbell clarified that the cost of staying in TCRS, along with the 5% proposed contribution system, would be, basically, the same; a positive aspect is TCRS is 90% funded but has become very expensive.

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Alderman Joh expressed concern that TCRS provides survivor benefits and the other plan eliminates that benefit. Vice-Mayor Mallicote responded that the survivor benefit ceases once an employee dies, but funds are there if the City goes to a defined contribution plan.

Alderman Shupe suggested the Board hear from the employees in the audience to determine the impact to current employees. At Mayor Phillips' request to have a motion and second on at least one of the issues already discussed prior to further discussion and audience participation, ***Vice-Mayor Mallicote made a motion, seconded by Alderman Shupe, to rescind the Board's prior decision to withdraw from TCRS.***

**Darryl Hayes** of Kingsport, spoke about the choices discussed at the last Audit Committee meeting to stay in TCRS and go to 5% contributory or go to 5% defined benefit—both require a 5% contribution from new employees. Mr. Hayes said neither will save the City money in the short-term. Based on long-term, staying in TCRS and going 5% contributory will be cheaper. He pointed out that rates have already started going back up and defined contribution plans have not fared well in the past few years. He mentioned that benefits do affect recruitment and retention and, as a firefighter for 23 years—18 with this City—he believes benefits are important for new hires and, if diminished, the City will see a decrease in qualified employees. He thanked the Board for the opportunity to speak.

**Dale Farmer** of the Kingsport Police Department supports this motion and mentioned benefits' importance to recruitment and retention. He stated that the police department doesn't want to be a training ground to have employees leave for better benefits elsewhere. If the City stays in TCRS, he believes the City can bring in quality employees, provide better services for its citizens and provide the best quality of life.

**Kevin Mitchell**, 517 Walnut Avenue, Kingsport, said that 5% of defined contribution does not reflect true costs without survivor benefits because employees will have to look for a life insurance policy to supplement. Right now in TCRS, even if 5% contributory, employees know that the survivor benefit is there.

**Matt Sorge**, 4052 Dakota Place, Kingsport, is a firefighter and thanked Board for allowing him to speak. He wanted to clarify that the Board decisions made today do impact current employees because if any future options become available with TCRS, current employees cannot take advantage of those if the City opts out. He added that he came from South Florida and chose to work for Kingsport for the benefit package. He stated that he supports the current motion on the floor.

Mayor Phillips pointed out that there are no other employees in attendance other than public safety employees and categorized City employees as fire, police, school teachers and all others. He emphasized that all City employees are exceptionally important, with no group being more important than others. All are needed to provide the quality City services the citizens expect and fund.

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Fire Chief Craig Dye stated he was one of those employees who, for many years, didn't pay attention to his retirement. He doesn't see the majority of employees having the time, desire or ability to manage a retirement plan and extolled the virtue of TCRS in that respect. He added that employees making \$40,000 or less will not have money to add to a retirement plan, other than the 5% contribution required. City Manager Campbell responded that, in anticipation of this possible downside, the plan will include a consultant to assist employees.

Alderman Marsh asked to call the question and Mayor Phillips asked for roll call vote on the motion.

Motion/Second: Mallicote/Shupe, to pass:

**Resolution No. 2010-209**, A RESOLUTION TO RESCIND A NOTICE OF WITHDRAWAL FROM PARTICIPATION IN THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM BY A POLITICAL SUBDIVISION IN ACCORDANCE WITH TENNESSEE CODE ANNOTATED, SECTION 8-35-218(3)

Passed in a roll call vote: Joh, Mallicote, Munsey, Parham, Shupe and Phillips voting "aye" and Marsh voting "nay." (AF: 126-2010)

Motion/Second: Mallicote/Shupe, to pass:

**Resolution No. 2010-210**, A RESOLUTION TO AUTHORIZE AN EMPLOYER PARTICIPATING IN THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM TO DISCONTINUE THE NONCONTRIBUTORY PROVISIONS OF T.C.A. § 8-34-206 IN ACCORDANCE WITH CHAPTER 569 OF THE TENNESSEE PUBLIC ACTS OF 2009

Passed in a roll call vote: Joh, Mallicote, Munsey, Parham, Shupe and Phillips voting "aye" and Marsh voting "nay." (AF: 126-2010)

City Attorney Billingsley reminded Board members that, if passed, the contributory plan will not be effective until October 1, 2010, due to the three-month notice required by TCRS.

The discussion turned to the bridge benefit. Mayor Phillips does not favor any action taken that would appear to favor one area of City employees over any other. Board members discussed possible budget shortfalls not covered for this benefit even with the application of affected employees' step increases; other, potential unknown costs and budget uncertainties and the possibility of reconsidering adding this benefit in the future.

Vice-Mayor Mallicote expressed concern whether a 30-year old police officer would benefit by allowing step increase holdbacks in order to gain the bridge benefit.

Deputy Police Chief Quillin responded that the majority of police employees are 30 years or younger and the vast majority have an understanding of this benefit and voted to implement, using the recommended salary slippage. Fire Chief Dye concurred, adding that fire employees of all ages had also indicated they would be willing to

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contributing step increase portions to implement the bridge. Deputy Chief Quillin also stated that studies have shown that fire and police personnel shouldn't be running into burning buildings or involved in shootouts much past age 50. Vice-Mayor Mallicote asked how many in public safety positions, around 60 years old, are doing that type of duty and Human Resources Manager Barbara Duncan responded that there are three in police and two in fire at age 60, the current mandatory retirement age. The Deputy Chief confirmed that they are not in active police positions.

At the Mayor's request that a Board member make a motion to approve or not approve the bridge, City Attorney Billingsley pointed out that the Board could decide to postpone to a later time and there would be no reason it could not be reconsidered in the future.

Alderman Shupe motioned that the Board vote to implement the bridge benefit using the City Manager's recommendation regarding salary slippage to offset the cost. The motion died for lack of a second.

Several Board members mentioned they favor the bridge concept but were not convinced the current economic climate is the right time to implement, but the Board may want to reconsider and revisit in the future

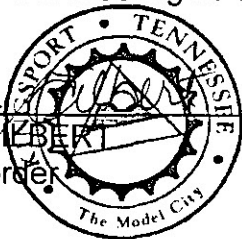
Vice Mayor Mallicote requested, unless remaining Board members objected, that the City Manager and City Attorney prepare an ordinance that would allow the BMA to establish a contribution reserve fund regarding the TCRS rate issue and City Attorney Billingsley agreed to do so.


**B. MAYOR AND BOARD MEMBERS. None.**

**C. VISITORS.** Kevin Mitchell thanked Board for its action taken on remaining with TCRS and acknowledged that the City requires all employees to make the City work. He reminded Board members that chiefs from both police and fire have spoken about the emotional toll attributed specifically to those in public safety positions and while he understands current budget constraints, he asked that Board members keep the bridge benefit in the back of their minds. Thanked the BMA for allowing them to speak and be a part of the process.

**IX. ADJOURN.** Seeing no other business for consideration at this meeting, Mayor Phillips adjourned the meeting at 4:00 p.m.

  
ELIZABETH A. GILBERT  
Deputy City Recorder



  
DENNIS R. PHILLIPS  
Mayor